

Final Internal Audit Report

Croylease Payments

May 2025

Distribution: Director of Homelessness Prevention and Accommodation
Temporary Accommodation Manager
Finance Manager, Housing
Corporate Director of Housing
Corporate Director of Resources and S151 Officer
Director of Finance and deputy S151 Officer

Assurance Level	Issues Identified	
No Assurance	Priority 1	6
	Priority 2	1
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations, and confidentiality.

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1. Introduction

- 1.1 The Croylease scheme is a Council-run leasing scheme which gives landlords the opportunity to lease their properties to Croydon Council (Council) for a 5 year period. The scheme is open to landlords wishing to lease 2, 3 or 4 bedroom houses within the borough of Croydon. Flats, maisonettes or smaller proprieties are not eligible for this scheme. At the time of Audit (March 2024), the Council had 196 properties under the Croylease Scheme. However, the Council were no longer procuring new properties under the Scheme; the focus being on maintaining current stock.
- 1.2 As well as providing a guaranteed income to landlords for the duration of the lease, the council provides a management service. The two teams involved in the management of the properties are the Temporary Accommodation (TA) team and the Repairs team. The scheme is overseen by the Director of Homelessness Prevention and Accommodation.
- 1.3 A previous internal audit of Croylease was performed in 2018/19. This area was given Limited Assurance, and two Priority 1, five Priority 2 and one Priority 3 recommendations were raised in the Final Internal Audit Report of Croylease (Landlord Letting Scheme).
- 1.4 This audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1 The audit was scheduled to take place between 15 – 22 March 2024. The audit announcement correspondence was issued on the 8 March 2024 and the final Terms of Reference document issued on the 11 March 2024.
- 2.2 A request for the initial document list to be provided was sent to the Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Manager on 12 March 2024. Follow-up requests for documentation were sent on the 13, 14, 15, 18, 19 and 20 March 2024 and this was escalated with the Head of Internal Audit. Further communication was sent to request for the documents to be provided by Wednesday, 20 March 2024 at mid-day (cut-off) to allow sufficient time to test the data. Internal Audit was not provided with the data except the Scheme of Delegation and Authorised signatory list. Three documents were provided after 1:30pm on Friday the 22 March 2024. However, these were not reviewed as these were provided following the cut-off date and no time remained in the audit budget to review these.
- 2.3 Final communication informing the key audit contacts on the issues identified was sent on 22 March 2024. The email provided an opportunity for Director of Homelessness Prevention and Accommodation, the Temporary Accommodation Manager, and the Head of Repairs and Maintenance to

provide clarification on the findings shared. However, a response was not received.

- 2.4 The Director of Housing provided further context following the issue of the draft report. The Director stated that at the time of the audit (March 2024), there had not been sufficient capacity to respond to the requirements of the review as the Housing Needs and Homelessness Service had gone through a major service structure six months prior. The new service structure was implemented in September 2023 and was still being embedded at the time to enable the Council to deliver better value for money and more responsive homelessness service. There were a number of key posts that were vacant and recruitment to some parts of the service was being undertaken due to the many changes to operational and management staff with the service.
- 2.5 Given the context in Section 2, the following issues were based on discussions with the Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Manager:

Priority 1 Issues

There were no policies, procedures, or training programmes in place for the management of properties under the Croylease Scheme. **(Issue 1)**

The Temporary Accommodation (TA) Team were not aware whether lease agreements were in place and where these may be stored, and there was no central register tracking completion of lease agreements. **(Issue 2)**

Property condition surveys had not been completed for any properties for an extended period (date unconfirmed). **(Issue 3)**

There was a lack of oversight over authorisations and completion of repairs, with work being completed without appropriate authorisation. **(Issue 4)**

A formal procedure for payments to landlords was not in place which led to delayed payments to landlords involved in the Croylease Scheme and a rise in complaints. **(Issue 5)**

The Accommodation Income Officer advised of a process that was utilised to collect rent. However, this process was not formally documented. Audit was not provided with the evidence requested to complete a sample test to verify whether appropriate processes were followed during rent collection. **(Issue 6)**

Priority 2 Issues

There was no periodic internal reporting on updates or issues regarding the Croylease scheme. **(Issue 7)**

There were no Priority 3 issues.

3. Actions and Key Findings/Rationale

Control Area 1. Legislative, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	Procedure document setting out how to manage Croylease scheme to be developed and relevant staff trained on the process.	Expected Control: A policy and procedure document is in place to provide guidance on how to manage the Croylease Scheme, which includes at minimum guidance on the processes followed, key timescales, roles and responsibilities, and approvals and authorisations. There is a formal training programme developed and implemented on the processes required for the management of Croylease properties/ tenancy management. This training is mandatory for all teams involved in the process. Finding/Issue: The Director of Homelessness Prevention and Accommodation advised that there were no formal policies or procedures for the management of the Croylease scheme, which detailed roles and responsibilities for the management of the scheme including delegation of authority for approvals required within the process. There was no specific training programme for the management of the Croylease Scheme and there was no formal training or handover process for the new (TA) Manager who joined in early 2023 regarding management of this scheme. The Director of Homelessness Prevention and Accommodation explained that there was a general training programme for staff on tenancy management. However, evidence to support this was not provided as explained in the Key issues at the beginning of this report. If staff are unaware of their roles and responsibilities, this may result in key processes not occurring or being undertaken by individuals while managing Croylease properties.

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Responsible Officer	Deadline	
Temporary Accommodation & Support Head of Service	August 2025	

Control Area 2. Lease agreements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	System for all lease agreements to be held in a central location, to be implemented.	Expected Control The Council has lease agreements in place for all properties under the Croylease Scheme and these are held in a central location. A tracker for tracking completion and monitoring the expiring of the lease agreements is also in place. Periodic reviews take place to identify where lease agreements are missing, and necessary actions are taken for identified anomalies. Finding/Issue The Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Service Manager advised: • The TA Team were unaware whether lease agreements were in place and where these may be stored; • There was no consolidated register or tracking of the completion of lease agreements; and • A review had not taken place to identify if any lease agreements are missing. It was explained that the difficulties around the lack of or missing lease agreements had not been resolved due to lack of resources within the Housing team. The above could not be verified through sample testing because a list of properties under the Croylease scheme was not provided during the audit period. Risk Lack of agreed and signed lease agreements increases the risk of the Council being unable to impose any contractual terms and track performance of services. Additionally, this could also lead to disputes with owners.
Responsible Officer	Deadline	
TA Procurement Manager	June 2025	

Control Area 3. Property condition surveys

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
1	Plans to exit the use of portfolio over time, as no new properties are being taken on this scheme. Therefore, to make better use of staffing resource, property condition matters are being addressed through day-to-day management and void management.	Expected Control The Council have a formal plan in place to ensure the timely completion of property condition surveys for all Croylease properties. A tracker or register of property condition surveys is maintained to ensure oversight and monitoring. Finding/Issue The Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Service Manager advised that: - Property condition surveys were expected to be completed by the TA Officer, with oversight from the TA Manager. However, property condition surveys had not been completed for any properties for an extended period (dates not provided by the Director). The lack of property condition surveys was advised as being due to only having one TA Officer to complete all work within the team; - There was no central tracker or register to monitor completion of condition surveys; and - A policy or procedure document was not in place to govern how and by whom the surveys should be completed. Risk Lack of effective condition surveys for Croylease properties could mean that the properties are at risk of being unsafe and not up to the standards required. This could also lead to the Council not meeting its health and safety obligations, resulting in possible legal implications.
Responsible Officer	Deadline	
Director of Homelessness Prevention & Accommodation	May 2025	

Control Area 3. Property condition surveys

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
1	Works Orders are raised by the repairs team and authorised by the Temporary Accommodation Team. KPI's are in place for void and repairs works undertaken by contractors, and the Head of Repairs will share KPI performance with Homelessness team monthly with effective from April 2025. This performance information will also be shared in monthly DMT reports. Budget spend information will be provided by finance and reviewed monthly by Head of Temporary Accommodation and Head of Repairs.	Expected Control The Council has developed and implemented a process for the approval of repairs works to be completed and authorisation of final payments. Where additional works are required, this is approved by an individual separate to the officer requesting the works to be completed. Finding/Issue The Director of Homelessness Prevention and Accommodation and Temporary Accommodation Service Manager advised that the TA Officer had been authorising payments, regardless of the amount. The authority to authorise payments had been allocated to the new TA Manager (since February 2024) due to a lack of a Head of Service within the team. Furthermore, the Fraud Prevention Officer advised that there had been an increase in repair costs for properties under the Croylease Scheme and it was unclear why this was the case. The 2022-23 spend was £510,429.45 whereas the 2023-24 spend was £1,276,101.26. The Director of Homelessness Prevention and Accommodation advised that there was no official process implemented or followed by the TA Team to identify whether the repairs were completed and whether the costs aligned with repairs work that was completed or needed. It was also explained that the reason for the increase could partially be attributed to an increase in the volume of repairs needed. However, the reason for an increase in the volume of repairs was not clear. While the Scheme of Delegation dated May 2022 of the Council, captured details of approving authorities and monetary limits for all repairs made by Housing Directorate, the Head of Repairs and Maintenance advised that while the overall repairs were authorised by their team, the TA team were adding additional works, without prior approval, to the approved repairs specification by the Repairs team, during the repairs of void properties. They explained that work completed would be invoiced and paid for, regardless of approval, as contractors are employed to complete the work. This contributed to the rising cost of repairs. Internal Audit was not provided with

Responsible Officer	Deadline	
Head of Temporary Accommodation & Head of Repairs	June 2025	evidence to support this during the audit period and thus cannot provide assurance on the effectiveness of this area. Furthermore, KPIs have not been developed to monitor the completion of repairs and track performance of contractors. Risk The Council are at risk of financial loss as work being invoiced and paid for may have not been completed. Lack of oversight over authorisation of repairs also increases the risk of fraud and inappropriate spending of Council funds.

Control Area 4. Rent collection and payments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
1	Formal procedure to ensure timely payment is developed. Quality checks against NEC details to be implemented.	Expected Control The Council have developed and implemented a process for lease payments to the landlords of Croylease properties. This process is communicated to all staff involved in the process. Finding/Issue The Accounts Payable Manager advised that there were delays in sending information to the Accounts Payable (AP) team and therefore delayed payments to landlords of the properties under the Croylease scheme. A delay in payments led to a rise in complaints from landlords involved in the Croylease Scheme. The Director of Homelessness Prevention and Accommodation and Temporary Accommodation Service Manager advised that a formal procedure, within the Housing Team, for payments to landlords was not in place for the Croylease Scheme. A payment schedule was completed monthly, the Quality Assurance Team completed a sample test on this to check for any errors, the schedule was then sent to the Corporate Director for Authorisation. Once authorised, the payment schedule is sent to the Accounts Payable Team, and a payment was then made. The Director further advised that controls are being implemented, including a monthly meeting between the TA and Income Officer and a new documented timetable, to ensure timely completion or discussion of any issues. However, evidence to support implementation of the above new controls or of the timely payments being made to landlords was not provided and thus assurance cannot be given regarding the effectiveness of this area.

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Responsible Officer	Deadline	Risk
Procurement Manager	June 2025	If landlords are left unpaid, there is a risk that they will withdraw their properties from the Croylease Scheme. Additionally, the landlords may seek interest on late payments under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998.

Control Area 4. Rent collection and payments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6
1	Rent collection process to be developed and staff trained	Expected Control The Council should have developed and implemented a process for rent collection. This process should be communicated to all staff involved in the process. Finding/Issue The Accommodation Income Officer advised of a process that was utilised to collect rent. However, this process was not formally documented. Internal Audit was not provided with a list of properties under the Croylease Scheme during the audit period. Therefore, a sample test was not completed to verify if appropriate processes were followed during the collection of rent from tenants at Croylease properties. Risk The Council are at risk of losing income if consistent and accurate processes are not followed during the rent collection process. This could also have value for money implications if the Council are not receiving the correct rent for the properties, they manage under the Croylease Scheme.
Responsible Officer		Deadline
Income Recovery Manager		June 2025

Control Area 5. Management Reporting

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 7
2	Periodic management reporting on actual costs vs expected costs, is in place and monitored as part of monthly budget reporting.	Expected Control The Council has a process of periodic management reporting on key aspects of the Croylease Scheme. This could include reporting on actual costs vs expected costs, volume of repairs, figures on rent collections, and timeliness of payments to landlords. Finding/Issue The Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Service Manager advised that there was no periodic internal reporting on updates or issues regarding the Croylease scheme. However, a report was being produced for the Mayor, on a need's basis, due to a rise in complaints from landlords. Internal audit was not provided with evidence of the report being completed and shared with the Mayor during the time of the audit. Furthermore, the following updates were provided on the actions raised in the previous Croylease audit completed in 2018/2019: • An action was raised that monthly supplier meetings would take place; it was advised that this was not being completed; and • An action was raised that a review of costs would take place for the Croylease Scheme; it was advised that this had not taken place. The Director of Homelessness Prevention and Accommodation advised that the TA Team were in the process of developing KPIs. However, this was in draft form, and the draft was not provided during the audit. Thus, assurance on effectiveness of this area cannot be given. Risk Key Officers within the Council do not have oversight of the Croylease scheme, this increases the risk of delays in identifying where issues are occurring, and further delays in implementing
Responsible Officer		Deadline
Director of Homelessness		May 2025

Prevention & Accommodation		processes to resolve the issues. Lack of oversight could also increase the risk of the Council not receiving value for money through their Croylease Scheme.
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AUDIT TERMS OF REFERENCE

Croylease payments

1 INTRODUCTION

- 1.1 The Croylease scheme is a Council-run leasing scheme which gives landlords the opportunity to lease their properties to the Council for a 5-year period. The scheme is open to landlords wishing to lease 2-, 3- or 4-bedroom houses within the borough of Croydon. Flats, maisonettes or smaller proprieties will not be eligible for this scheme.
- 1.2 As well as providing a guaranteed income to landlords for the duration of the lease, the council provides a full management service.
- 1.3 In addition to the Croylease scheme, the Council operates other landlord letting schemes, as follows:
 - Guaranteed Rent Scheme; and
 - Private Sector Leasing Scheme.
- 1.4 A previous audit of Croylease was performed in 2018/19. This area was given Limited Assurance, and two Priority 1, five Priority 2 and one Priority 3 recommendations were raised in the Final Internal Audit Report of Croylease (Landlord Letting Scheme).
- 1.5 This audit is part of the agreed Internal Audit Plan for 2023/24.

2 OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3 SCOPE

- 3.1 This audit will examine the Council's arrangements in relation to Croylease Payments, and will include the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	1	0	0
Lease Agreements	1	0	0
Property Condition Surveys	2	0	0
Rent Collection and Payment	2	0	0
Management reporting	0	1	0
Total	6	1	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives, and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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